

FUTURE OF HONG KONG ADVANCE COPIES 10

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TO IMMEDIATE FCO

TELEGRAM NUMBER 1110 OF 29 OCTOBER

INFO IMMEDIATE HONG KONG

ms

Prime Minister

Quite encouraging.

W. N. C.

FUTURE OF HONG KONG: DINNER WITH YAO GUANG

1. I HAD DINNER WITH YAO GUANG ON 28 OCTOBER. MRS ZHANG, HIS INTERPRETER, WAS THE ONLY OTHER PERSON PRESENT. THE FOLLOWING WERE THE MAIN POINTS IN A LONG TALK.

THE PREMISE

2. AS EXPECTED, YAO WENT OVER THE GROUND AGAIN, NOTING STRONG POSITIVE ELEMENTS IN THE PRIME MINISTER'S MESSAGE, BUT OTHER AREAS WHICH RAISED QUESTIONS, EG THE EXPRESSION OF CONTINUED PREFERENCE FOR BRITISH ADMINISTRATION AS THE BEST AND SUREST BASIS FOR PROSPERITY. HE ASKED COULD WE NOT HAVE AN AGREEMENT THAT WE WERE PROCEEDING ON THE CHINESE PREMISE? THEN THINGS WOULD BE MUCH EASIER.

3. I REPLIED AS DURING THE LAST ROUND, STRESSING THAT WE WERE READY TO PROCEED ON CHINESE PROPOSALS AND THESE WERE, AS THE CHINESE EXPLAINED, INDISSOLUBLY LINKED TO THE PREMISE. I ALSO POINTED OUT THE CONSTITUTIONAL RESTRAINTS ON THE PRIME MINISTER. A CLEAR AFFIRMATION OF THE CHINESE PREMISE WOULD MEAN THAT THE

~~FOUNDED OUT THE CONSTITUTIONAL RESTRAINTS ON THE PRIME MINISTER.~~
A CLEAR AFFIRMATION OF THE CHINESE PREMISE WOULD MEAN THAT THE PRIME MINISTER WOULD HAVE UNCONDITIONALLY TO AGREE TO A TRANSFER OF SOVEREIGNTY OVER HONG KONG. BUT SOVEREIGNTY DID NOT LIE IN HER GIFT. ITS TRANSFER COULD ONLY BE DECIDED BY PARLIAMENT. IF SHE TRIED TO PREEMPT PARLIAMENT ON THIS ISSUE, WHICH OF COURSE SHE WOULD NOT DO, SHE WOULD LOSE ANY CHANCE OF GAINING ACCEPTANCE BY PARLIAMENT OF ANY PROPOSALS. ON THE OTHER HAND, AS THE MESSAGE MADE CLEAR, IF AN ACCEPTABLE PACKAGE COULD BE AGREED HMG WOULD RECOMMEND THESE ARRANGEMENTS TO PARLIAMENT AND WOULD DO THEIR UTMOST TO HELP OVER THEIR INTRODUCTION AND IMPLEMENTATION. OUR GOOD FAITH WAS CLEAR. THE CHINESE SHOULD NOT ASK THE IMPOSSIBLE.

4. YAO GAVE THE IMPRESSION THAT HE WAS NOT TOO SURPRISED OR DISCONTENTED WITH THIS AND THAT HIS ENQUIRY HAD BEEN MAINLY FOR THE RECORD. THE REST OF HIS REMARKS INDICATED READINESS FOR CONSTRUCTIVE TALKS.

WAY FORWARD

5. ASKED MY VIEWS ON HOW WE SHOULD PROCEED, I REFERRED TO MY IDEAS GIVEN HIM ON 20 OCTOBER ON A STEP BY STEP APPROACH MOVING FROM EASIER TO MORE DIFFICULT AREAS. I ADDED THAT WE WOULD SOON LET HIM HAVE INFORMAL WORKING PAPERS ON THE LEGAL AND FINANCIAL SYSTEMS. THESE WERE DESIGNED TO EXPLORE AND EXPAND ON CHINESE IDEAS ON THE BASIS DESCRIBED IN THE PRIME MINISTER'S MESSAGE. THEY WERE NOT INTENDED AS A DRAFT OF PARTS OF THE FINAL AGREEMENT, BUT SIMPLY TO LIST POINTS WHICH, IN OUR VIEW, WOULD NEED TO BE COVERED IN THE FINAL AGREEMENT. THEY WERE NOT NECESSARILY EXCLUSIVE AND OTHER POINTS COULD WELL EMERGE DURING DISCUSSION. THE CHINESE WOULD FIND THAT OUR PAPERS KEPT WITHIN THE FRAMEWORK SET BY THE CHINESE PROPOSALS.

6. YAO EXPRESSED INTEREST AND ASKED HOW MANY PAPERS WE INTENDED SUBMITTING. I SAID WE WERE NOT SURE YET BUT MADE IT CLEAR WE WISHED TO DISCUSS ONE AT A TIME AND THEN MOVE ON.

7. YAO RETURNED TO THIS POINT SEVERAL TIMES IN THE EVENING BEFORE FINALLY SUGGESTING THAT THERE WERE TWO BROAD METHODS OF PROCEEDING, ONE AS I HAD PROPOSED AND AN ALTERNATIVE UNDER WHICH THE CHINESE SIDE WOULD FURTHER ELABORATE ITS POLICIES. IT MIGHT THEN NOT BE NECESSARY TO TAKE ONE AREA AT A TIME. THERE COULD BE AN OVERALL DISCUSSION. THIS WOULD BE QUICKER AND WOULD AVOID OUR GETTING BOGGED DOWN IN DETAIL.

8. I ARGUED STRONGLY IN FAVOUR OF OUR PROPOSAL ON THE GROUNDS THAT IT WAS MORE SYSTEMATIC, THAT WE NEEDED TO BUILD UP CONFIDENCE, THAT ON MANY AREAS OUR THINKING WAS NOT YET COMPLETE. I SAW LITTLE RISK OF OUR GETTING BOGGED DOWN IN DETAIL. THE WORKING PAPERS WOULD NOT BE PARTICULARLY DETAILED. OUR SPEED WOULD DEPEND ON CHINESE REACTIONS, BUT THERE SHOULD BE NO DIFFICULTY IN PUTTING UP OUR BUILDING RAPIDLY FLOOR BY FLOOR. IN ANY CASE, THE TWO METHODS WERE NOT NECESSARILY WHOLLY INCOMPATIBLE: WE WOULD ALWAYS WELCOME FURTHER CHINESE ELABORATION ON THEIR PLANS.

9. YAO EVENTUALLY LEFT IT THAT AFTER WE HAD PRESENTED OUR FIRST TWO PAPERS WE MIGHT HAVE ANOTHER INFORMAL MEETING. AT THIS WE COULD DECIDE HOW TO PROCEED. HE PRESSED FOR OUR PAPERS AS SOON AS POSSIBLE. I SAID I HOPED TO LET HIM HAVE THE TWO ALREADY MENTIONED IN THE WEEK BEGINNING 30 OCTOBER. HE AGREED TO HAVE A MEAL WITH ME AT A TIME TO BE DECIDED IN THE WEEK BEGINNING 6 NOVEMBER.

FINAL AGREEMENT

10. ASKED HOW I SAW THE FINAL AGREEMENT, I SAID WE HAD NOT REACHED ANY FIRM IDEAS YET, BUT I NOTED THAT BOTH SIDES AGREED THAT NEGOTIATIONS MUST CONCLUDE WITH A BILATERAL AGREEMENT. I CITED DENG'S REMARK TO MR HEATH THAT THE NEGOTIATIONS WOULD CONCLUDE WITH A 'BINDING AGREEMENT'. YAO AGREED.

11. YAO SAID THAT THE AGREEMENT SHOULD NOT HAVE TOO MUCH DETAIL. IT SHOULD MERELY LAY DOWN BROAD PRINCIPLES. HONG KONG WAS GOING TO HAVE A HIGH DEGREE OF AUTONOMY. WE SHOULD NOT TRY TO TIE IT DOWN TOO MUCH IN ADVANCE. I SAID THIS WAS ALL VERY WELL BUT THE INITIAL SYSTEM MUST BE LAID DOWN IN SOME DETAIL. THIS DETAIL WOULD BE VERY NECESSARY FOR CONFIDENCE.

BRITISH ROLE

12. YAO SAID HE HAD ASKED THE FOREIGN MINISTER ABOUT HIS TALK WITH THE SECRETARY OF STATE IN NEW YORK. WU HAD SAID THAT HONG KONG WAS A CAPITALIST SYSTEM IN WHICH THE BRITISH HAD EXPERIENCE. MOREOVER, HONG KONG AND BRITAIN HAD HISTORICAL LINKS. ON THE PREMISE THAT SOVEREIGNTY AND ADMINISTRATION WOULD PASS TO CHINA, CHINA WAS WILLING TO COOPERATE WITH BRITAIN. I SAID WU HAD PUT IT WELL. WE NATURALLY HOPED TO HAVE A CONSIDERABLE ROLE, BUT ALWAYS CONSISTENT WITH THE CHINESE PROPOSALS. THE MORE THE BRITISH WERE SEEN TO BE ASSOCIATED WITH THE NEW ARRANGEMENTS, THE GREATER CONFIDENCE THERE WOULD BE. SECONDMENT OF BRITISH PERSONNEL TO IMPORTANT HONG KONG GOVERNMENT POSTS WOULD ASSIST.

~~GREATER OVERLAP THERE WOULD BE. SECONDMENT OF BRITISH PERSONNEL TO IMPORTANT HONG KONG GOVERNMENT POSTS WOULD ASSIST.~~
THIS SHOULD OF COURSE BE AT THE REQUEST OF THE GOVERNMENT OF THE SPECIAL ATUONOMOUS REGION (SAR) AND UNDER THE ADMINISTRATION OF THE HEAD OF THE SAR GOVERNMENT. I INSTANCED THE POSTS OF ATTORNEY-GENERAL AND COMMISSIONER OF POLICE. YAO ASKED WHETHER THIS WAS AN EXCLUSIVE LIST. I SAID THESE WERE MERELY ILLUSTRATIVE EXAMPLES. HE NOTED THAT WE ATTACHED IMPORTANCE TO THE BRITISH ROLE AND SAID CHINA WOULD REFLECT ON THE QUESTION. HE THANKED ME FOR MY FRANKNESS. IT WAS RIGHT THAT WE SHOULD SAY WHAT WE WANTED. HE HOPED WE WOULD NOT DELAY IN PUTTING FORWARD OUR CONSIDERED VIEWS ON THIS ISSUE.

GUARANTEES

13. IN ANSWER TO MY QUESTION YAO CONFIRMED THAT THE CHINESE PRINCIPLE WAS LITTLE OR NO CHANGE. HE REFERRED TO THE 50-YEAR ASSURANCE. AT FIRST THEY HAD THOUGHT OF AN ASSURANCE OF NO CHANGE "FOR A LONG PERIOD", BUT IT WAS FELT THIS WAS NOT SPECIFIC ENOUGH. I SAID I ASSUHD THIS DID NOT PREVENT THE SYSTEM FROM LASTING OVER 50 YEARS. HE SAID WHAT WAS MEANT WAS "AT LEAST (QI MA) 50 YEARS". HE VOLUNTEERED THAT PEOPLE HAD DOUBTS BECAUSE OF CHINA'S CHANGES OF POLICY OVER THE LAST 30 YEARS, BUT ARGUED THAT NOW ALL WAS DIFFERENT. CURRENT POLICY WOULD LAST. THE CHINESE COMMUNIST PARTY INTENDED THE CAPITALIST SYSTEM TO OBTAIN AND PERSIST IN HONG KONG. THEY WERE NOT A NARROW-MINDED PARTY, THEY HAD CREATIVITY AND IMAGINATION. I SAID THESE LAST TWO QUALITIES WOULD BE NEEDED IN ABUNDANCE IN THE ARRANGEMENTS FOR HONG KONG, SINCE WE WERE EMBARKED ON AN UNPRECEDENTED EXPERIMENT ARRANGING FOR A CAPITALIST ENCLAVE TO ENDURE AGAINST A SOCIALIST MAINLAND.

14. YAO WENT ON TO SAY THAT PEKING WOULD NOT SEND MEN TO GOVERN HONG KONG. THAT WOULD BE LEFT TO THE HONG KONG PEOPLE. THE HONG KONG GOVERNMENT WOULD EMERGE AS A RESULT OF EITHER CONSULTATION OR ELECTION IN HONG KONG. PEKING WOULD NOT APPOINT BUT WOULD MERELY APPROVE. I SAID THIS WAS IMPORTANT AND SHOULD BE VERY CLEARLY STATED.

LEGAL SYSTEM

15. YAO SAID THE ONLY CHANGES CONTEMPLATED WERE THE REMOVAL OF APPEALS TO THE PRIVY COUNCIL AND CHANGES IN "COLONIAL LAWS". IN ANSWER TO MY QUESTION HE SAID THIS LAST MEANT NOMENCLATURE RATHER THAN SPECIFIC LAWS.

COMMENT

16. THIS WAS A USEFUL CONVERSATION AND ENABLED US TO OBTAIN CLARIFICATION ON IMPORTANT POINTS EG PARAS 13 AND 14.

THE CHINESE ARE STILL RELUCTANT TO TACKLE DETAILED WORK STEP BY STEP. PRESUMABLY THEY WOULD LIKE US TO LAY ALL OUR CARDS ON THE TABLE FIRST, AS THEY CLAIM THEY THEMSELVES HAVE DONE. THERE IS ALSO A SHRINKING FROM DETAIL OF ANY KIND (PARA 11). THIS IS WORRYING AND MUST BE COUNTERED. BUT WE SHALL SEE MORE CLEARLY WHAT YAO'S REACTION IS AT THE NEXT INFORMAL MEETING. THE FASTER WE CAN GET ON WITH OUR DETAILED WORK THE BETTER.

CRADOCK

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FROM PEKING 250802Z OCT 83

TO PRIORITY FCO

TELEGRAM NUMBER 1080 OF 25/10/83

REPEATED FOR INFO TO PRIORITY HONG KONG

MY TEL NO 1067: FUTURE OF HONG KONG

MY TEL NO 1067: FUTURE OF HONG KONG: INFORMAL CONTACTS

1. YAO GUANG HAS INVITED ME TO A TET A TETE DINNER ON 28 OCTOBER. I HAVE ACCEPTED.

THIS TELEGRAM
WAS NOT
ADVANCED

CRADOCK

FUTURE OF HONG KONG

LIMITED

HD/HKD

HD/FED

HD/PLANNING STAFF

HD/PUSD

D/HD/PUSD(MR FLOWER)

RESEARCH DEPT(MR WALKER)

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